Joint Participation Agreement
Between
PacifiCorp
and
Huntington Cleveland Irrigation Company

This Joint Participation Agreement ("Agreement") is entered into this 14 day of July, 2005, by and between Huntington Cleveland Irrigation Company (Huntington-Cleveland), a Utah nonprofit irrigation company and PacifiCorp, an Oregon corporation.

Purpose

The purpose of this Agreement between Huntington-Cleveland and one of its shareholders PacifiCorp is to set forth:

1) the participation of PacifiCorp with Huntington-Cleveland in planning, designing and building a federally sponsored salinity control project (the "Project") to convert the canal and ditch water delivery system of Huntington-Cleveland to a closed pipeline water delivery system pursuant to the Colorado River Basin Salinity Control Act as set forth in 43 U.S.C. 1501 et seq.; and

2) other activities and agreements between PacifiCorp and Huntington-Cleveland associated with the Project and the delivery and storage of water[1].

The terms set forth herein have been approved by PacifiCorp's internal investment review committees and Huntington-Cleveland shareholders, other than PacifiCorp which voluntarily chose not to vote. The parties intend to use this Agreement as an outline for the purpose of creating a final agreement (the "Final Project Construction Agreement") that will govern the construction, operation, funding participation, and other aspects of the Project as well as agreements pertaining to water storage and deliveries among the parties.

The parties' willingness to enter into the Final Project Construction Agreement is based upon certain assumptions as to the mutual benefits derived from the Project and the agreements set forth in this Agreement. Consideration and the expected benefits to be derived from the project are as follows.

Consideration

Huntington-Cleveland, is a non-profit mutual irrigation company that is eligible to obtain federal funding made available through the Natural Resources Conservation Service (NRCS) and the U.S. Bureau of Reclamation (BOR). Such funds are referred to herein as "Federal Funds." These Federal Funds will be used to vastly improve Huntington-Cleveland's water delivery system resulting in increased crop yields and irrigation

[1] Further background information is attached to this Agreement as Attachment 1.

efficiencies. Shareholders of Huntington-Cleveland expect the Project to provide economic as well as other benefits to its shareholders.

PacifiCorp expects to obtain a source of replacement water for storage water leaking from Electric Lake and to obtain certain water delivery efficiencies and agreements pertaining to water management within the Huntington Creek drainage. More specifically, it is anticipated that the Project will significantly reduce Huntington-Cleveland's November 1-March 1 (Such period is referred to herein as the "Non-irrigation season") stock watering use from 17 cfs to 8 cfs or a lesser amount as determined by the State Engineer, which will allow PacifiCorp to use certain natural flow water rights owned by PacifiCorp in priority for Non-irrigation season plant demand. This will provide an increased level of certainty for PacifiCorp with respect to Non-irrigation season water demand at the Huntington Plant which has been compromised by the inability to store sufficient amounts of water in Electric Lake. This Agreement will also provide the mechanism for obtaining more flexibility concerning water management capabilities in the Huntington Creek drainage as more particularly described herein. As consideration for these expected benefits, PacifiCorp will contribute certain monetary amounts as further described in this Agreement.

PacifiCorp and Huntington-Cleveland also seek to resolve certain legal claims that may be raised among the parties and other third parties concerning water loss from Electric Lake.

ARTICLE 1. COLORADO RIVER BASIN SALINITY CONTROL PROJECT

1.1 Federal Project Agreements. Huntington-Cleveland and the BOR have entered into an agreement (Agreement 04-FC-40-2242 attached hereto as Attachment 2) (the "BOR Agreement") conditionally awarding approximately $17,116,336 in federal funds as a match to non-federal funds for Non-Near Farm costs[2] of the Project. Federal funds are also available through the NRCS for irrigation improvements. Huntington-Cleveland shareholders will apply for approximately $23,250,000 of NRCS funding as a match for Near-Farm[3] and On-farm costs of the Project. In addition, each applicant shareholder will be responsible for expending the costs of improvements necessary on their respective farms as may be required for utilization of the Near-farm and On-farm improvements. Huntington-Cleveland expects the total amount expended by individual shareholders to be approximately $3,800,000 for On-Farm improvement costs.

1.2 BOR Cost-share Funding. If the parties are able to enter into a Final Project Construction Agreement, PacifiCorp will agree to pay Huntington-Cleveland an amount up to and not exceeding $11,450,000 that may be used for Huntington-Cleveland's cost-

[2] "Non-Near Farm" is generally defined as the part of the "off-farm" water delivery system not included in the "Near Farm" system, and will typically be larger sized pipelines (as determined by the NRCS) that connect to the Near Farm systems.

[3] "Near Farm" is generally defined as the part of the "off-farm" water delivery system located between the private irrigated parcels (which is the "On Farm") and the "Non-Near Farm" portion of the water delivery system.

share under the BOR Agreement for Non-Near Farm Project costs. PacifiCorp's payment shall be subject to Huntington-Cleveland qualifying for Federal Funding as outlined herein and application of the funds received to the Project.

1.3 NRCS Cost-Share Funding. If the parties are able to enter into a Final Project Construction Agreement, PacifiCorp will agree to pay Huntington-Cleveland, acting as an agent for individual applicant shareholders, an amount up to and not exceeding $3,900,000 that may be used as matching funds for the NRCS Project funding for the Near Farm costs. As a condition of payment of this sum, Huntington-Cleveland shall ensure that 1) appropriate applications for Federal Funding are timely filed; and 2) that individual shareholders who obtain NRCS contracts remain eligible to obtain NRCS funding through Project completion.

1.4 Project Change Applications.

1.4.1 Huntington-Cleveland will file a change application (the "Project Change Application") with the State Engineer's Office necessary for all elements of the Project as described herein which shall be prepared with the assistance of a competent engineering firm. PacifiCorp shall have the right to review and, at its option, may assist in the preparation and prosecution of the Project Change Application.

1.4.2 PacifiCorp's funding obligation shall be contingent upon the issuance of a final, non-appealable Order of the State Engineer acceptable to both parties ("Final Change Application Approval").

ARTICLE 2. PROJECT CONSTRUCTION

2.1 Construction Agreement Terms. Upon issuance of the Final Change Application Approval or earlier if agreed upon by the parties and necessary to qualify for and secure Federal Funds, PacifiCorp and Huntington-Cleveland will enter into the Final Project Construction Agreement that shall include at least the following terms:

2.1.1 The Project will be designed in certain distinct phases based upon the geographical areas of Huntington-Cleveland's service territory as now defined by JUB Engineering, Huntington-Cleveland's current Project engineer ("Project Engineer") in its Master Plan (attached hereto as Attachment 3) as may be modified from time to time as agreed upon by Huntington-Cleveland and PacifiCorp. The Master Plan also includes an estimated cost to construct each phase of the Project.

2.1.2 Before initiation of each distinct phase, PacifiCorp, Huntington-Cleveland and the Project Engineer will conduct an economic evaluation of the Project. Such evaluation will include a review of the current and expected available Federal Funding and other funding as well as a comparison of actual versus estimated costs of the Project to date.

If the economic evaluation process identifies an overall funding deficiency in the project (e.g., cost overruns, decrease in expected federal funding, etc) that would require additional funding to complete future phases of the Project, then Huntington-Cleveland would conduct a general shareholders meeting to vote on borrowing the deficient amount and complete the Project or certain phases of the Project. PacifiCorp will abstain from voting their shares in such a vote. If approved, Huntington-Cleveland will be responsible to obtain funding for the deficient amount. The deficient amount will be paid off by an assessment against all Huntington-Cleveland shares equally among the shareholders, including PacifiCorp. If vote to borrow the deficient amount fails, then PacifiCorp will not be obligated to expend any more of their funding toward the Project. In such event, this Agreement shall be terminated or modified with the exception of those certain provisions that will survive termination as provided in Article 15.

After the parties decide to implement the construction of a phase, the Agreement for that phase may not be terminated and PacifiCorp is obligated to fund that phase as set forth in the Final Project Construction Agreement. Huntington-Cleveland will be responsible for all costs of the Project that exceed the initial estimated costs.

2.1.3 Huntington-Cleveland, as owner and operator of the Project shall oversee all aspects of the construction and shall be responsible for completing the Project on time and within budget. PacifiCorp shall have the right, at its own expense, to inspect any and all aspects of the Project at any time and shall have the right to audit all expenditures and other contract data and information pertaining to the Project, upon reasonable notice to Huntington-Cleveland.

2.1.4 PacifiCorp shall have the right to timely review and comment on the terms and conditions of the construction contracts for the Project between Huntington-Cleveland and any contractor or subcontractor.

2.2 Either party shall have the right to terminate this Agreement in the event a mutually acceptable Final Construction Agreement cannot be reached pursuant to the terms of this Agreement.

ARTICLE 3. MAIN REGULATING RESERVOIR

3.1 The parties anticipate the construction of a main regulating reservoir (the "Regulating Reservoir") to be located near the head of the Project system. The Regulating Reservoir shall be designed and operated to regulate and deliver water both during the irrigation and non-irrigation seasons. The design and construction of the Regulating Reservoir shall be approved by the State Engineer's Office. PacifiCorp and Huntington-Cleveland will agree on the location, size and construction of the regulating reservoir as a condition of the Final Project Construction Agreement. PacifiCorp shall have the option of owning and operating the Regulating Reservoir subject to an operating agreement reasonably acceptable to Huntington-Cleveland entered into between

PacifiCorp and Huntington-Cleveland. If the Regulating Reservoir is owned by PacifiCorp, PacifiCorp may, at its sole determination, sell it to Huntington-Cleveland at the current depreciated value as shown on the records of PacifiCorp used for rate making purposes with the Utah Public Service Commission.

3.2 Huntington-Cleveland will include the Regulating Reservoir as a point of diversion in the Project Change Application. Construction of the Regulating Reservoir shall be contingent upon approval by Huntington-Cleveland and PacifiCorp of a final, non-appealable Order of the State Engineer issued by the State Engineers Office.

3.3 When the parties are able to enter into a Final Project Construction Agreement, PacifiCorp will pay to Huntington-Cleveland an amount up to $4,500,000 for the construction of the Regulating Reservoir. All Huntington-Cleveland shareholders will be equally responsible for any and all costs of the construction, operation and maintenance of Regulating Reservoir in excess of PacifiCorp's $4,500,000 participation.

3.4 Huntington-Cleveland shall be responsible for all aspects of constructing the Regulating Reservoir and shall agree to its diligent completion within a timeframe agreed upon by PacifiCorp and Huntington-Cleveland. Construction terms concerning the Regulating Reservoir will be memorialized in the Final Project Construction Agreement. PacifiCorp shall have the right to timely review and reasonably approve the terms and conditions of the construction contracts for the regulating reservoir between Huntington-Cleveland and any contractor or subcontractor.

3.5 The regulating reservoir will be designed and constructed in a manner that will allow Huntington-Cleveland to monitor the daily operation of the Regulating Reservoir by use of approved measuring devices, including inflow, outflow and elevation of the Regulating Reservoir or as may otherwise be required by the State Engineer's Office.

ARTICLE 4. AGREEMENT ON MANAGING NATURAL INFLOW INTO ELECTRIC LAKE.

The parties acknowledge that water has been and is currently leaking from Electric Lake (defined herein as "Lake Loss"). PacifiCorp and Huntington-Cleveland agree that all Lake Loss shall be accounted for and allocated in accordance with the provisions of this Article 4.

4.1 Lake Loss Equation

4.1.1 PacifiCorp with the river commissioner shall monitor and report to Huntington-Cleveland and the Emery Water Conservancy District the following Electric Lake parameters: inflow, precipitation, change in lake elevation, lake discharge at the dam, and evaporation. PacifiCorp shall calculate the Lake Loss using the following equation:

Lake Loss = natural inflow – outflow +/-measured change in storage + precipitation + JC pumped inflow - evaporation

4.1.2 The parties recognize that it may be impossible to accurately measure natural inflow, such as periods of spring runoff or when measuring equipment is not working properly. Only in such circumstances, natural inflow will be calculated using the same equation as above except by inputting an average calculated Lake Loss value determined over a reasonable period of time prior to the period of missing inflow data and then solving for natural inflow.

4.2 The Project Change Application or by separate application as determined by the parties will seek, among other things, approval to allow Huntington-Cleveland water shares to be stored in Electric Lake. The parties acknowledge that additional storage in Electric Lake shall likely be subject to the 21,000 acre foot limitation under Huntington-Cleveland's water rights and that only a portion of such amount will be stored in Electric Lake as set forth in paragraph 4.3 below.

4.3 All natural inflow entering into Electric Lake (either measured or calculated) shall be first accounted for under PacifiCorp's water right No. 93-1116 to the extent such storage is available in priority in the Huntington Creek drainage To the extent PacifiCorp's storage right is not in priority, PacifiCorp may store an amount of water agreed upon by Huntington-Cleveland and PacifiCorp in Electric Lake under shares in Huntington-Cleveland for the benefit of Huntington-Cleveland's shareholders. Such right of storage shall be subject to obtaining approval from the State Engineers Office which shall be sought as part of the Operating Criteria changes. Any water stored in Electric Lake for the benefit of Huntington-Cleveland's s shareholders, other than PacifiCorp, will be exchanged (as allowed within this agreement) or released for irrigation during the current irrigation season, as requested by Huntington-Cleveland.

Any water stored in Electric Lake by Huntington-Cleveland shareholders (other than PacifiCorp) that is not used during that irrigation season cannot be carried over to the next water year. Any remaining water will be treated as natural flow for the next water year and will be allocated among all Huntington-Cleveland shareholders in accordance with the annual allocation.

4.4 PacifiCorp's obligation with respect to accounting for Lake Loss is based on the current and expected losses and does not include the occurrence of a change in lake loss more than 35% in excess of the average lake loss experienced from July 1, 2002 to January 1, 2005

4.5 The parties shall memorialize these understandings in an amended and restated Operating Criteria.

ARTICLE 5. AGREEMENT ON THE OPERATION OF THE JAMES CANYON PUMPING SYSTEM

5.1 Huntington-Cleveland acknowledges that PacifiCorp currently has the right at its own expense to operate wells associated with the James Canyon pumping system, including those pumps generally known as JC-1, JC-2 (currently inactive) and JC-3 (currently inactive) (collectively referred to as the "JC Pumps"). Huntington-Cleveland and PacifiCorp hereby release each other from any prior claims either party may have against the other at the time the Final Project Construction Agreement is executed concerning the operation or use of water resulting from the JC Pumps.

5.2 All water pumped from the JC Pumps up to the execution date of the Final Project Construction Agreement will be deemed as water accounted for under PacifiCorp's storage right.

5.3 All water pumped from the JC Pumps after the execution date of the Final Project Construction Agreement will be accounted for as follows:

1) PacifiCorp will be entitled to all water pumped into Electric Lake from the JC Pumps up to the amount of the calculated "Lake Loss" from Electric Lake using the calculation method described in Paragraph 4.1.

2) Any water pumped into Electric Lake from the JC Pumps in excess of the calculated Lake Loss will be accounted for as natural flow, and will be governed by existing water rights in the Huntington Creek Drainage and water management agreements between PacifiCorp and Huntington-Cleveland as those may be modified from time to time.

3) The comparison used to determine whether the amount of water pumped exceeded the amount of Lake Loss will be calculated daily. PacifiCorp will create and report to Huntington-Cleveland and the Emery Water Conservancy District an annual accounting based on the daily calculations. Such report shall be subject to review and reasonable approval by Huntington-Cleveland.

4) The annual evaluation and Lake Loss calculations for the previous calendar year shall be provided to Huntington-Cleveland and the Emery Water Conservancy District annually, on or about March 1st of the following year. If the annual evaluation indicates that the amount pumped exceeded the amount of Lake Loss, then Huntington-Cleveland will receive a credit in Electric Lake for its portion of the difference to be used in the following irrigation season.

5.4 Huntington-Cleveland will not be responsible for any costs associated with the JC Pumps.

5.5 Huntington-Cleveland agrees not to protest, either directly or indirectly, PacifiCorp's right to operate the JC Pumps or use the water pumped by the JC Pumps in accordance with this Article 5. Huntington-Cleveland further agrees to cooperate with PacifiCorp's effort to recover Lake Loss.

5.6 PacifiCorp is responsible for and will operate the JC Pumps at its sole discretion.

ARTICLE 6. AGREEMENT CONCERNING JOE'S VALLEY/LEFT FORK EXCHANGE

6.1 Huntington-Cleveland agrees to reasonably cooperate with PacifiCorp to the extent PacifiCorp desires to arrange for future exchanges of water available to PacifiCorp in Joe's Valley Reservoir for Huntington-Cleveland primary irrigation water in Millers Flat, Cleveland, Huntington, and Rolfson reservoirs (collectively the "Left Fork Reservoirs") or any water that is inadvertently stored in Electric Lake.

6.2 Any exchange will occur on a one-to-one acre foot basis plus an amount equal to the calculated carriage loss for the delivery of the exchanged water from Joe's Valley Reservoir to the Huntington-Cleveland canal points of diversions at the mouth of Huntington Canyon. Consistent with applicable law, carriage loss will be mutually determined by Huntington-Cleveland, the Huntington Creek River Commissioner and the Emery County Water Conservancy District.

6.3 PacifiCorp will receive a credit in the Left Fork Reservoirs for each acre foot of PacifiCorp's water in Joe's Valley Reservoir that is called for and actually delivered to Huntington-Cleveland's distribution system from the Cottonwood Creek-Huntington Canal. PacifiCorp may request delivery of such Left Fork storage during the year in which the exchange was made until March 1 of the following year.

6.4 PacifiCorp will reimburse Huntington-Cleveland for all reasonable costs associated with releasing, measuring, delivering and using exchanged water during the Non-irrigation season. Such reasonable costs will be identified on an invoice submitted to PacifiCorp and subject to audit.

6.5 Upon agreement between the BOR, Emery Water Conservancy District, Huntington-Cleveland and PacifiCorp, any exchanged PacifiCorp water remaining in the Left Fork reservoirs as of March 1st following the calendar year during which the exchange took place may be used by PacifiCorp to exchange for any Huntington North Reservoir deficit owed by PacifiCorp. Otherwise, all exchanged holdover storage water in the Left Fork reservoirs after March 1st following the calendar year during which the exchange took place will be relinquished to Huntington-Cleveland for reallocation to its shareholders for use during that calendar year's irrigation season.

6.6 The amount of water subject to exchange will be limited by the amount of water available to PacifiCorp in Joe's Valley, the amount that can be effectively delivered and utilized by other shareholders of Huntington-Cleveland and the storage capacity in the Left Fork reservoirs available to physically complete the exchange.

6.7 PacifiCorp will pay the reasonable operation and maintenance costs associated with the North Ditch pumping station to make this exchange possible. Such reasonable costs incurred by Huntington-Cleveland will be identified on an invoice submitted by Huntington-Cleveland to PacifiCorp and subject to audit.

6.8 The parties shall memorialize these understandings in an amended and restated Operating Criteria.

ARTICLE 7. NATURAL FLOW ACCOUNTING AGREEMENT

7.1 During the annual spring runoff, Huntington-Cleveland and PacifiCorp will use reasonable efforts to store all natural inflow physically available at their respective reservoirs, subject to downstream diversion and other requirements. Such storage will be calculated based on water right priorities and share ownership within Huntington-Cleveland.

7.2 All flow, storage, release and diversion measurements within the Huntington Creek drainage will be measured daily and accounted for on spreadsheets agreed upon by Huntington-Cleveland, PacifiCorp and the State Engineer's Office.

7.2.1 All storage, release and diversion measurements of water in Huntington Creek Drainage will be under the direction of the River Commissioner.

7.2.2 The entitlements to natural flow and storage will be based on water rights in priority and stock ownership within Huntington-Cleveland, according to the Huntington Creek Management Plan and Utah Law.

7.2.3 The calculated daily total natural flow of the Huntington Creek drainage will be the basis for determining water entitlements. Daily natural flow during irrigation season is calculated using the following equation:

Total Natural Flow = plant river gage + plant diversion +/- total measured change in storage of the Left Fork reservoirs +/- calculated change in storage in Electric Lake + culinary use

7.3 Each day during spring runoff, the daily natural flow entitlements will be compared to the actual amount diverted (put to beneficial use) and/or stored for power and irrigation (and other) purposes, and will be accumulated on a monthly basis. For the purposes of this agreement:

1) Power use is defined as the amount of water diverted into the Huntington plant's raw water holding pond, as measured by the plant's flow meters and reported to Huntington-Cleveland and the Emery Water Conservancy District.

2) Power storage is defined as the calculated change in storage in Electric Lake.

3) Irrigation use is defined as the amount of water diverted into the Huntington-Cleveland irrigation system.

   i. With the current system, this will be determined by the sum of all water diverted into the Cleveland Canal, Huntington Canal and the North Ditch.
   ii. With the new pressurized system, irrigation use will be determined by the amount of water diverted into all pressure regulating reservoirs.

4) Irrigation storage is defined as the measured change in storage in all the Left Fork Reservoirs.

d) If the actual use plus storage (as defined above) for irrigation or power use exceeds the entitlement accruing over the same period, then either irrigation or power water will be released to the other at dates and times, as appropriate under the direction of the River Commissioner.

e) PacifiCorp shall release from Electric Lake any water stored in Electric Lake that Huntington-Cleveland shareholders other than PacifiCorp are entitled to receive as a result of this natural flow accounting agreement. There will be no carry over of irrigation water in Electric Lake between irrigation seasons. Any water that Huntington-Cleveland irrigators and others are entitled to receive but which is not released during the irrigation season will be considered as natural flow for the next irrigation season and divided per the existing water rights and share ownership within Huntington-Cleveland.

f) It is understood that the intent of this accounting agreement is not to gain additional storage for PacifiCorp in the Left Fork reservoirs. Therefore, this accounting method will be limited up to the point where all water stored in Electric Lake will be held by PacifiCorp and all water stored in the Left Fork reservoirs will be held by Huntington-Cleveland irrigators and others, by exchange and subject to downstream diversion requirements. The amount of PacifiCorp entitled water diverted into Huntington-Cleveland's irrigation system will be used as a trade and limited by the amount of Huntington-Cleveland storage in Electric Lake. This Article 7 will not entitle PacifiCorp to use any water stored in the Left Fork reservoirs. PacifiCorp may gain entitlement in the Left Fork reservoirs by other means such as the Joes Valley exchange (as set forth in Article 6 of this Agreement) or future leasing of Huntington-Cleveland shares.

h) The agreed upon accounting methods will be applied throughout the irrigation season to ensure proper management of water entitlements. The parties shall memorialize these understandings in an amended and restated Operating Criteria.

ARTICLE 8. AGREEMENT ON NON-IRRIGATION SEASON WATER MANAGEMENT

8.1 Huntington-Cleveland will eliminate Non-irrigation season stock water diversions from the existing canal(s) as soon as the pressurized stock watering system is installed and operational and replaces water delivery from such canal(s). All future stock watering requirements for such portions of Huntington-Cleveland's service area will be met by diverting Non-irrigation season water into the piped systems developed as part of the Project.

8.2 It is acknowledged that with the transition to a piped stock watering system, the diversion requirement for stock watering is expected to be substantially reduced. With a pressurized stock watering system, the parties expect the priority for Non-irrigation season diversions to be as follows:

> 1) Stock watering is expected to be significantly decreased to a lesser amount, with the final usage to be determined by the State Engineer's Office;
>
> 2) After Stock watering needs are met, the next 15 cfs, if available, will be directed to Huntington North storage pursuant to existing water right priorities and that certain agreement between the BOR and Huntington-Cleveland dated June 27th, 1962 and titled "CONTRACT BETWEEN THE UNITED STATES AND HUNTINGTON CLEVELAND IRRIGATION COMPANY RELATING TO EXCHANGE AND ADJUSTMENT OF WATER RIGHTS"; and
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> 3) The next 20 cfs, when available, will be for use at the Huntington Plant under PacifiCorp's existing water right No. 93-1115. A material inducement for PacifiCorp entering into this Agreement and, ultimately, the Final Project Construction Agreement is to enable the availability of this 20 cfs water right with sufficient priority water to be available at the Huntington plant during the Non-irrigation season. For purposes of this Agreement "Sufficient Priority Water" shall be a reduction of Huntington-Cleveland's stock water rights to an amount to be determined by the State Engineer, provided that the maximum amount required for stock water use is not determined to exceed 8 cfs. PacifiCorp shall have the right to terminate this Agreement in the event the State Engineer determines Huntington-Cleveland's stockwater right is greater than 8 cfs.

8.3 If by March 1 of any year, or such other date as agreed upon by the parties in the Operating Criteria, Huntington North does not fill as required by that certain agreement referenced in paragraph 8.2 above due to PacifiCorp's diversion at the Huntington plant out of priority, PacifiCorp will release from Electric Lake or other sources the amount of the Huntington North deficit resulting from PacifiCorp diversions of natural flow at dates and times requested by Huntington-Cleveland or the River Commissioner. Likewise, if Huntington North does not fill due to Huntington-Cleveland diversions in excess of the newly established winter stock watering right, Huntington-Cleveland will release from its sources an amount sufficient to fulfill the Huntington North deficit at dates and times requested by the River Commissioner.

8.4 The obligations in this Article 8 shall not apply to the extent the agreed upon accounting methods show that the deficit in Huntington North occurred because of deficiencies in natural flow rather then from diversion for stock watering or diversions for use at the Huntington Plant out of priority. All accounting for natural flows, diversions, storage or other measurements will be agreed upon by all parties, including the State Engineer's Office.

ARTICLE 9. AGREEMENT ON CONVEYANCE LOSSES IN THE HUNTINGTON-CLEVELAND DELIVERY SYSTEM

9.1 PacifiCorp will be accountable for its share of the canal losses upstream of the Project boundaries (i.e. where the water is diverted in the pipelines). PacifiCorp's share of conveyance losses will be based on the amount of Class A shares that PacifiCorp acquired from the Cleveland Canal, Huntington Canal, North Ditch and Huntington Creek. PacifiCorp is allocated the same allocation every year as all shareholders within Huntington-Cleveland.

9.2 PacifiCorp will agree to continue paying Huntington-Cleveland an annual project carriage loss payback (as it has done in the past), in the amount of 1,232 AF per year.

9.3 PacifiCorp may choose from which source it will provide the annual project carriage loss payback, to include but not be limited to Joes Valley, Electric Lake or the Left Fork reservoirs.

9.4 The conveyance loss replacement will be made at dates and times requested by the river commissioner.

ARTICLE 10. AGREEMENT ON PACIFICORP REPRESENTATIVE TO THE HUNTINGTON-CLEVELAND BOARD OF DIRECTORS

Within 90 days of the execution of this Agreement, Huntington-Cleveland shall amend its Articles and Bylaws and other governing documents as needed to provide for one additional member to serve on the Board of Directors who shall be elected by a vote of the shareholders who are Non-irrigation water users. Such additional director shall have the same rights and duties as each other member of the Huntington Cleveland Board of Directors.

ARTICLE 11. AGREEMENT ON FUTURE PACIFICORP LEASING OF HUNTINGTON-CLEVELAND WATER

If at any time in the future, PacifiCorp determines it is necessary to lease water from Huntington-Cleveland shareholders, Huntington-Cleveland agrees to reasonably cooperate and assist PacifiCorp in any such effort, whether it will be a short term or long term lease strategy, as mutually agreed upon.

ARTICLE 12. AGREEMENT TO MODIFY THE OPERATING CRITERIA

It is recognized by all parties that changing to pressurized irrigation and stock watering systems will significantly alter future operating needs within the Huntington Creek drainage. The parties will modify the existing Operating Criteria to accurately reflect the manner in which water will be managed in accordance with this Agreement. The parties acknowledge that any amendments to the Operating Criteria must also be agreed upon by certain other parties to that agreement including BOR and Emery Water Conservancy District.

ARTICLE 13. AGREEMENT ON REQUIRED CHANGE APPLICATIONS

Huntington-Cleveland and PacifiCorp will work cooperatively to file all necessary change applications and seek other approvals consistent with this Agreement and the Final Project Construction Agreement. Specifically, both parties agree to fully cooperate in the approval of the Change Application that will include Electric Lake as a point of diversion for Huntington-Cleveland primary shares.

ARTICLE 14. RELEASE AND ASSIGNMENT OF CLAIMS

14.1 In consideration of PacifiCorp's financial participation in the Project in the amount of $19,800,000, Huntington-Cleveland agrees to release and discharge PacifiCorp from any and all claims arising prior to the date of the Final Project Construction Agreement for the loss of water from Electric Lake, so long as Lake loss accounting and allocation continues to occur as set for in paragraph 4.4.

14.2

(a) In consideration for PacifiCorp's financial participation in the Project, Huntington-Cleveland agrees to assign to PacifiCorp all of Huntington-Cleveland's claims and causes of action, arising prior to the date of the Final Project Construction Agreement, that may be properly asserted against Canyon Fuel Company, LLC, or any of its affiliates, as owner of Skyline Mine, for the loss of water from Electric Lake and resulting diminution of flow in the right hand fork of Huntington Creek, including but not limited to monetary claims or injunctive relief based on the current loss of water from electric lake, such claims being assigned to PacifiCorp by this Agreement. This assignment shall not affect the right of Huntington-Cleveland to, after the effective date of this assignment participate in all regulatory and administrative matters brought by third parties related to water, water rights, mining, hydrology, water replacement, hydrologic impact, or water loss from mining involving Canyon Fuel, Skyline Mine or any successor operator, except to the extent that such rights have been assigned to PacifiCorp by this paragraph 14.2.

(b) Notwithstanding the foregoing, Huntington-Cleveland does not assign and specifically reserves the right to initiate or participate in regulatory or administrative actions it deems necessary to: (i) prevent the recognition of water rights based on the movement of water caused by coal mining or other unnatural factors; or (ii) assure that laws and regulations are enforced to protect the pre-mining hydrologic balance is maintained or restored when mining ceases under permits in effect as of the date of this Agreement.

ARTICLE 15. REMEDIES

The Final Project Construction Agreement shall provide that in the event the Project is not completed for any reason outside of PacifiCorp's direct control, including significant cost overruns or lack or loss of federal funding (as outlined in 2.1.2), this Agreement and the Final Project Construction Agreement may be terminated by either party, provided, however, that the termination of the Final Project Construction Agreement after commencement of the Project shall not terminate the rights and obligations of the parties with respect to the terms and conditions expressed in this Agreement under Articles 4 through 7 and Articles 9 through 14, which shall remain in full force and effect.

ARTICLE 16. LIMITATIONS ON PACIFICORP PARTICIPATION

16.1 PacifiCorp's financial participation, other than as a shareholder, shall be limited to the total amount of $19,850,000 as stated in this Agreement, assuming the Final Project Construction Agreement is executed as contemplated herein. Huntington-Cleveland will take full responsibility for project cost over-runs and any other costs not specifically agreed to be paid by PacifiCorp (as outline in Article 2.1.2). PacifiCorp's financial participation cannot be used for any other purpose without PacifiCorp's prior approval and are contingent upon approval of the Project by state, federal and other agencies and also upon successful achievement of Project milestones as will be required in the Final Project Construction Agreement.

16.2 Either party shall have the right to terminate this Agreement in the event of any material adverse change by giving written notice to the other party. For purposes of this Agreement, a "Material Adverse Change" shall mean any change in fact or circumstance that was material to the parties in entering into this Agreement.

ARTICLE 17. RIGHT OF FIRST REFUSAL

In the event PacifiCorp decommissions the Huntington Generation Plant and determines to place its shares of stock in the Huntington-Cleveland irrigation company for sale in the open market, Huntington-Cleveland shall have a first right of refusal to purchase such shares at a value equal to any bona fide offer PacifiCorp receives. Huntington-Cleveland shall also have a first right of refusal to purchase any water control structures, conveyance works, or storage facilities PacifiCorp offers for sale in the open market.

THIS AGREEMENT is executed on the date first above written.

PACIFICORP

By: B. Cunningham

Barry Cunningham
~~Executive~~ Sr. Vice President

HUNTINGTON-CLEVELAND
IRRIGATION COMPANY

By: Dennis Ward

Dennis L. Ward
President

Attest:

Duane Kay Jensen

Duane Kay Jensen
Secretary

Attachment 1

Background and Summary

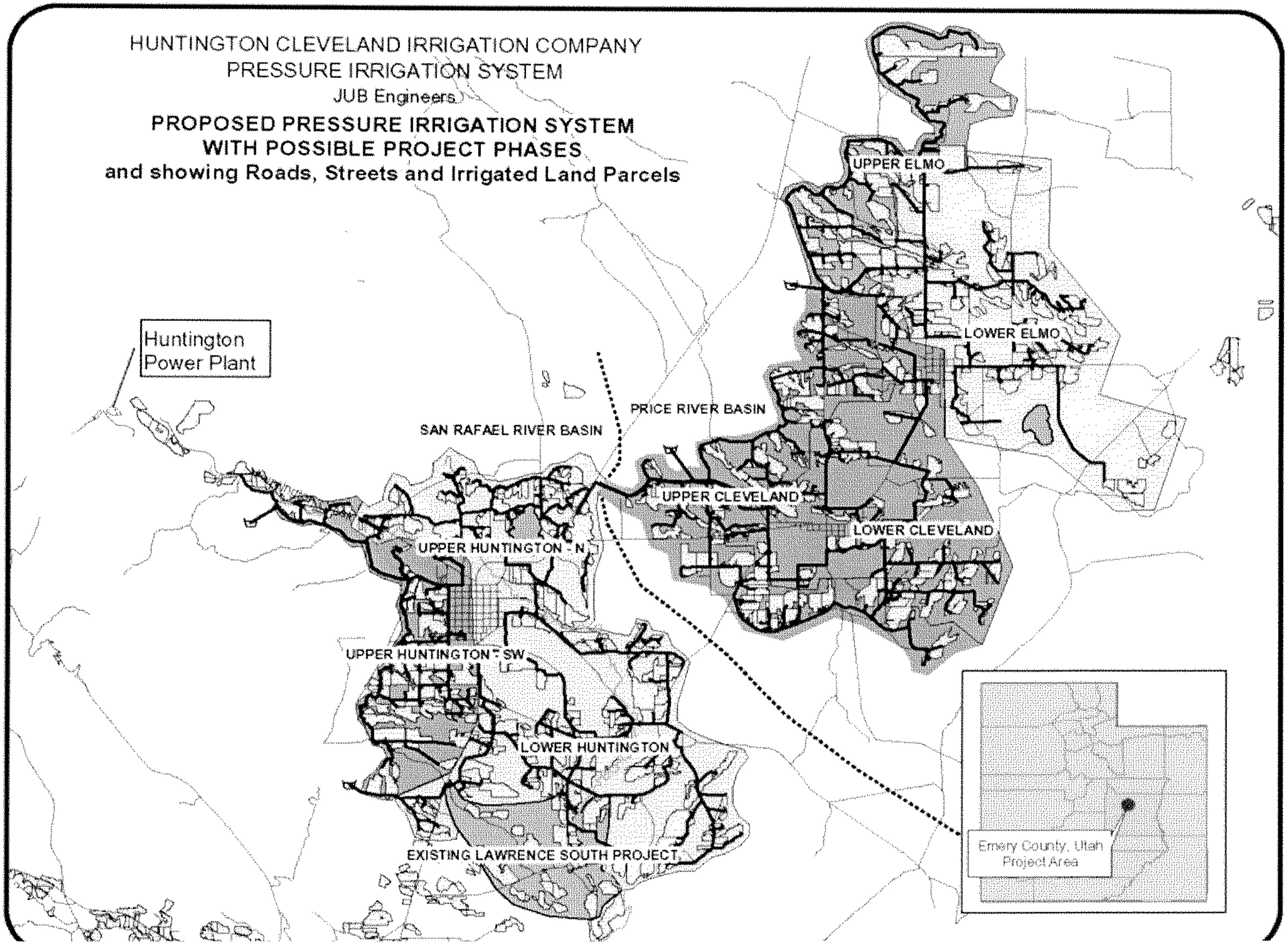
Huntington-Cleveland is a mutual irrigation company formed in 1932 through the merger of several other irrigation companies for the purpose of storing and delivering water among its shareholders. Huntington-Cleveland holds certain water rights that allow it to store water in high mountain reservoirs and deliver it to its shareholders during the irrigation season through a complex system of irrigation canals and ditches.

Huntington-Cleveland's service area is located in northern Emery County where soil conditions are relatively high in alkaline content. Flood irrigation, which is the common practice among many Huntington-Cleveland shareholders, results in high saline return flows that ultimately find their way into the Colorado River. Salt loading in the Colorado River has a negative impact on a number of endangered species of fish and deters progress with a major federal fish recovery and implementation program throughout the entire Colorado River drainage.

Federal funding is currently available through the Department of Interior – Bureau of Reclamation (BOR) and the Department of Agriculture - Natural Resource Conservation Service (NRCS) to reduce salt loading to the Colorado River. This federal funding is being made available through the Colorado River Basin Salinity Control Act. The BOR and NRCS have allocated federal funding to the Project to reduce salt loading in the Colorado River from agricultural practices in Emery County pursuant to the Colorado River Basin Salinity Control Act. This is to be accomplished by converting the open ditch and canal/flood irrigation system to a pressurized pipe delivery and sprinkler irrigation system.

In addition to a reduction in salinity for the Colorado River, Huntington-Cleveland will incur substantial benefits from the Project. Because shareholder water will be confined within a closed system, Huntington-Cleveland and its shareholders will be able to conserve approximately 80% of the water that is currently lost to seepage and evaporation in the over one hundred miles of delivery canals and ditches. Converting to a pressurized irrigation system will also result in significant cost savings and farm efficiencies to Huntington-Cleveland irrigators.

PacifiCorp owns roughly 34% of the outstanding shares in Huntington-Cleveland and will benefit from the Project. First, the allocation of water per share is expected to increase due to delivery efficiencies resulting in a proportionate increase in water availability to PacifiCorp consistent with its ownership of Huntington-Cleveland shares for use at the Huntington Plant. Second, and most importantly to PacifiCorp, Non-irrigation season stock water efficiencies are expected to substantially reduce high-priority Non-irrigation season water dedicated to that use thus allowing PacifiCorp to use its lower-priority water rights for Non-irrigation season plant demand.


HUNTINGTON CLEVELAND IRRIGATION COMPANY
PRESSURE IRRIGATION SYSTEM
JUB Engineers
PROPOSED PRESSURE IRRIGATION SYSTEM
WITH POSSIBLE PROJECT PHASES
and showing Roads, Streets and Irrigated Land Parcels
Huntington
Power Plant
UPPER ELMO
LOWER ELMO
PRICE RIVER BASIN
SAN RAFAEL RIVER BASIN
UPPER CLEVELAND
LOWER CLEVELAND
UPPER HUNTINGTON - N
UPPER HUNTINGTON - SW
LOWER HUNTINGTON
EXISTING LAWRENCE SOUTH PROJECT
Emery County, Utah
Project Area